

MONDAY MORNING RECAP - January 22, 2024

Last Week

Dow Jones Industrial Average (DJIA)	37,863.80	+270.82	+0.72%
S&P 500 Index	4,839.81	+55.98	+1.17%
NASDAQ Composite Index	15,310.97	+338.21	+2.26%
U.S. 10 yr. Treasury Note Yield	4.15%	+19 Basis Points	
Gold (\$ per troy oz.)	\$2,026.50	-\$20.20	-0.99%
WTI Oil (\$ per barrel)	\$73.41	+\$0.71	+1.00%

Market Summary

GLOBAL EQUITIES: US equities rose last week as strong economic data instilled further confidence in US resilience to higher interest rates. The S&P 500 notched a new all-time high, ending last week 1.17% higher on strong performance in the tech sector and above-consensus consumer data. Elsewhere, the STOXX 600 and FTSE 100 ended last week -1.57% and -2.11% lower, respectively, as above-consensus Euro area and UK CPI prints stoked investor fears that inflation may be stickier than expected.

COMMODITIES: Oil prices rose on continued conflict in the Middle East and output disruptions caused by cold weather in the US. WTI and Brent crude finished higher at \$73.41 and \$78.56/bbl, respectively, as the International Energy Agency upgraded its expectations for a higher increase in oil demand this year. Meanwhile, gold prices ended the week lower at \$2026.50 troy/oz.

FIXED INCOME: US yields rose to their highest levels in over one month on the back of hawkish remarks by Federal Reserve Governor Waller. The 2-Year and 10-Year US Treasury yields ended last week higher at 4.41% and 4.15%, respectively, as Waller pushed back on market expectations that the Fed would cut the federal funds rate in March. Elsewhere, the 10-Year German bund and UK gilt yields ended at 2.34% and 3.93%, respectively.

FX: The greenback strengthened against a basket of currencies last week as strong retail sales data signaled underlying economic strength. The US dollar index notched a one-month high, ultimately ending last week up 0.97%. Relatedly, the Japanese yen fell to ¥148.20, its lowest level since November, as Bank of Japan policymakers pushed back on expectations for near-term rate hikes.

Economic Summary

CONSUMER: US retail sales rose 0.6% in December, beating both consensus expectations and November's 0.3% increase. The print underscored the continued resilience of the US consumer despite concerns for growth risks and decreased household savings. Conversely, UK retail sales fell below consensus expectations to 3.2%, its biggest drop since January 2021. The print raises concern for deterioration of consumer spending and potentially greater recession risk for the UK.

INFLATION: In the UK, headline and core inflation surprised to the upside in December. Headline CPI edged up by 0.1pp to 4.0% year-over-year while core CPI remained unchanged at 5.1% year-over-year. The above consensus prints were mainly driven by seasonal components such as accommodation and airfares, which we believe will ease going forward.

LABOR: US initial jobless claims declined against consensus expectations for an increase, plunging to 187k, its lowest level since September 2022. The report underscores labor market strength in the US, despite the Fed's attempts to slow the economy. Outside of the US, UK labor data showed continued strength, with the three-month average unemployment rate remaining flat at 4.2% in November.

ACTIVITY: The Philadelphia Fed Manufacturing index notched another month of contraction but improved slightly from the previous month. The index rose to -10.6 in January, coming in below expectations for a less negative print. Despite the print marking a fifth month of contraction, the composition of the report was strong, with increases in the new orders, employment and shipments components.



Key Economic Releases

Monday, January 22:
No economic releases

Tuesday, January 23:
BoJ Rate Decision

Wednesday, January 24:
US Manuf. PMI (Cons: 47.6, Prior: 47.9)
US Services PMI (Cons: 51.0, Prior: 51.4)
Euro area Manuf. PMI (Cons: 44.8, Prior: 44.4)
UK Manuf. PMI (Cons: 46.8, Prior: 46.2)

Thursday, January 25:
ECB Rate Decision US GDP QoQ (Cons: 2.0%, Prior: 4.9%)
US Initial Jobless Claims (Cons: 199k, Prior: 187k)
US New Home Sales (Cons: 650k, Prior: 590k)

Friday, January 26:
US Core PCE YoY (Cons: N/A, Prior: 3.2%)

Source: Goldman Sachs Asset Management: "Market Monitor", 1/19/2024

"CPI" refers to Consumer Price Index. "GDP" refers to Gross Domestic Product. "WTI" refers to West Texas Intermediate crude oil, a common US benchmark for oil prices. "Brent" refers to a global benchmark for oil prices worldwide. "Bbl" refers to barrel. "Oz" refers to ounce. "Hawkish" refers to less accommodative monetary policy. "Fed" refers to Federal Reserve. "CPI" refers to Consumer Price Index. "pp" refers to percentage points. "Core CPI" refers to Consumer Price Index, excluding food and energy. "Headline CPI" refers to the raw inflation figure reported through the Consumer Price Index. "ECB" refers to the European Central Bank. "YoY" refers to year-over-year.

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